



United States  
Department of  
Agriculture

Food and  
Consumer  
Service

Mountain  
Plains  
Region

1244 Speer Boulevard  
Denver, CO  
80204-2581

Reply to  
Attn of:

SP-99-23

AUG 12 1999

Subject:

State-Level Purchasing Systems and State Administrative Expense (SAE) Funds

To:

STATE AGENCY DIRECTORS -  
(Child Nutrition Programs)

Colorado ED, Iowa, Kansas, Missouri ED,  
Montana OPI, Nebraska, North Dakota,  
South Dakota, Utah, and Wyoming ED

Several State agencies (SAs) have implemented or are considering the implementation of State-level purchasing systems for the National School Lunch Program (NSLP). These systems would handle a variety of functions involved in the procurement of food products for participating School Food Authorities (SFAs), including the issuance of the requests for bids, the evaluation of responses, and the selection of manufacturers and distributors. We have been asked to clarify whether the cost of operating a State-level procurement system can be paid with SAE funds.

SAE funds must be used to support SA administrative costs incurred in connection with the programs (7 C.F.R. §235.6(a)). Section V(A) of FNS Instruction 781-2, Child Nutrition State Administrative Expenses defines "administrative" as "... a State-level item of cost chargeable to the organization, management, monitoring, technical assistance, or policy implementation functions of a child nutrition program, in contrast to costs incurred in the actual delivery of program benefits to eligible persons." The operation of purchasing systems, as opposed to training, technical assistance, or monitoring activities related to purchasing, is an operational rather than an administrative function. Therefore, the operation of State-level purchasing systems cannot be supported with either SAE funds or with State Funding Requirement (SFR) funds (formerly Maintenance of Effort), which can only be used for the same types of activity which are approvable under SAE.

We recognize that in some circumstances there could be program benefits available from the operation of a State-level purchasing system which are not available through local-level purchasing. You are encouraged to explore this option along with other methods available to improve the procurement process in the NSLP, including increased training and technical assistance activities which can be funded by SAE/SFR.

However, if a State chooses to implement a State-level procurement system to perform functions which are clearly operational in nature, such a system cannot properly be supported with SAE/SFR funds. If you are interested in developing State-level procurement systems, plans to support the systems with non-SAE/SFR funding, such as direct State funding or fees paid by the participating SFAs should also be considered.



ANN C. DEGROAT  
Regional Director  
Child Nutrition Programs